

WAC 458-20-134 Commercial or industrial use. (1) Definitions.

(a) The term "commercial or industrial use" means the following uses of products, including by-products, by the same person that extracted or manufactured them:

(i) Any use as a consumer; and

(ii) Manufacturing of articles, substances, or commodities. (RCW 82.04.130.)

(b) The term "biomass fuel" means wood waste and other wood residuals, including forest derived biomass, but does not include firewood or wood pellets. "Biomass fuel" also includes partially organic by-products of pulp, paper, and wood manufacturing processes.

(2) **Examples of commercial or industrial use.** The following are examples of commercial or industrial use:

(a) The use of lumber by the manufacturer of that lumber to build a shed for its own use.

(b) The use of a motor truck by the manufacturer of that truck as a service truck for itself.

(c) The use by a boat manufacturer of patterns, jigs, and dies that it has manufactured.

(d) The use by a contractor building or improving a publicly owned road of crushed rock or pit run gravel that it has extracted.

(3) **Business and occupation tax.** Persons manufacturing or extracting tangible personal property for commercial or industrial use are subject to tax under the manufacturing or extracting B&O tax classifications, as the case may be. The tax is measured by the value of the product manufactured or extracted and used. See WAC 458-20-112 Value of products, for additional information.

(4) **Use tax.** Persons manufacturing or extracting tangible personal property for commercial or industrial use are subject to use tax on the value of the article used, unless a specific exemption is provided. See WAC 458-20-178 Use tax and the use of tangible personal property, for further explanation of use tax and the definition of "value of the article used."

(5) **Exemptions.** The following uses of articles produced for commercial or industrial use are expressly exempt from use tax.

(a) RCW 82.12.0263 exempts from the use tax the use of biomass fuel by the same person that extracted or manufactured that biomass fuel when it is used directly in the operation of the particular extractive operation or manufacturing plant that produced or manufactured the same biomass fuel.

(b) Property produced for use in manufacturing ferrosilicon, which is subsequently used to make magnesium for sale, is exempt from use tax if the primary purpose is to create a chemical reaction directly through contact with an ingredient of ferrosilicon. RCW 82.04.190(1).

(c) Hog fuel used to produce electricity, steam, heat, or biofuel is exempt from use tax. RCW 82.12.956. For the purposes of this exemption, "hog fuel" means wood waste and other wood residuals including forest derived biomass, but not including firewood or wood pellets. "Biofuel" means a liquid or gaseous fuel derived from organic matter intended for use as a transportation fuel including, but not limited to, biodiesel, renewable diesel, ethanol, renewable natural gas, and renewable propane.

(6) **Special provisions regarding value of article used.** RCW 82.12.010 provides the following special valuation provisions to persons manufacturing products for commercial or industrial use:

(a) In the case of articles manufactured or produced by the user and used in the manufacture or production of products sold or to be sold to the United States Department of Defense, the value of the articles used is determined according to the value of the ingredients of those articles.

(b) In the case of an article manufactured or produced for purposes of serving as a prototype for the development of a new or improved product, the value of the article used is determined by:

(i) The retail selling price of such new or improved product when first offered for sale; or

(ii) The value of materials incorporated into the prototype in cases in which the new or improved product is not offered for sale.

(c) In the case of a person manufacturing or extracting asphalt or aggregates used in providing services taxable under RCW 82.04.280 (1)(b), the value of the asphalt or aggregates used is based on cost. Specifically, the value of the asphalt or aggregates equals the sum of all direct and indirect costs attributable to the asphalt or aggregates used, plus a public road construction market adjustment of five percent of those costs.

[Statutory Authority: RCW 82.32.300 and 82.01.060. WSR 24-04-001, § 458-20-134, filed 1/24/24, effective 2/24/24; WSR 22-04-026, § 458-20-134, filed 1/24/22, effective 2/24/22. Statutory Authority: RCW 82.32.300 and 82.01.060(2). WSR 18-05-011, § 458-20-134, filed 2/8/18, effective 3/11/18; WSR 10-10-031, § 458-20-134, filed 4/26/10, effective 5/27/10. Statutory Authority: RCW 82.32.300. WSR 86-20-027 (Order 86-17), § 458-20-134, filed 9/23/86; WSR 83-07-032 (Order ET 83-15), § 458-20-134, filed 3/15/83; Order ET 70-3, § 458-20-134 (Rule 134), filed 5/29/70, effective 7/1/70.]